DISCOUNTING'S FUTURE

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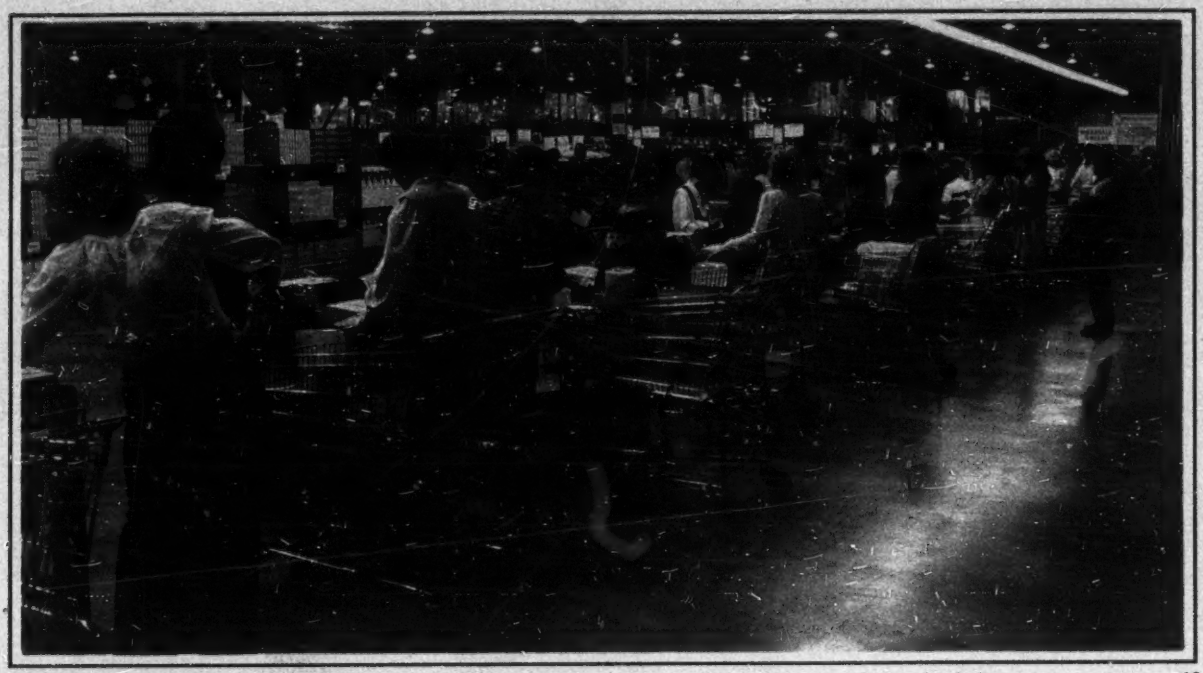

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Still a yen for home electronics

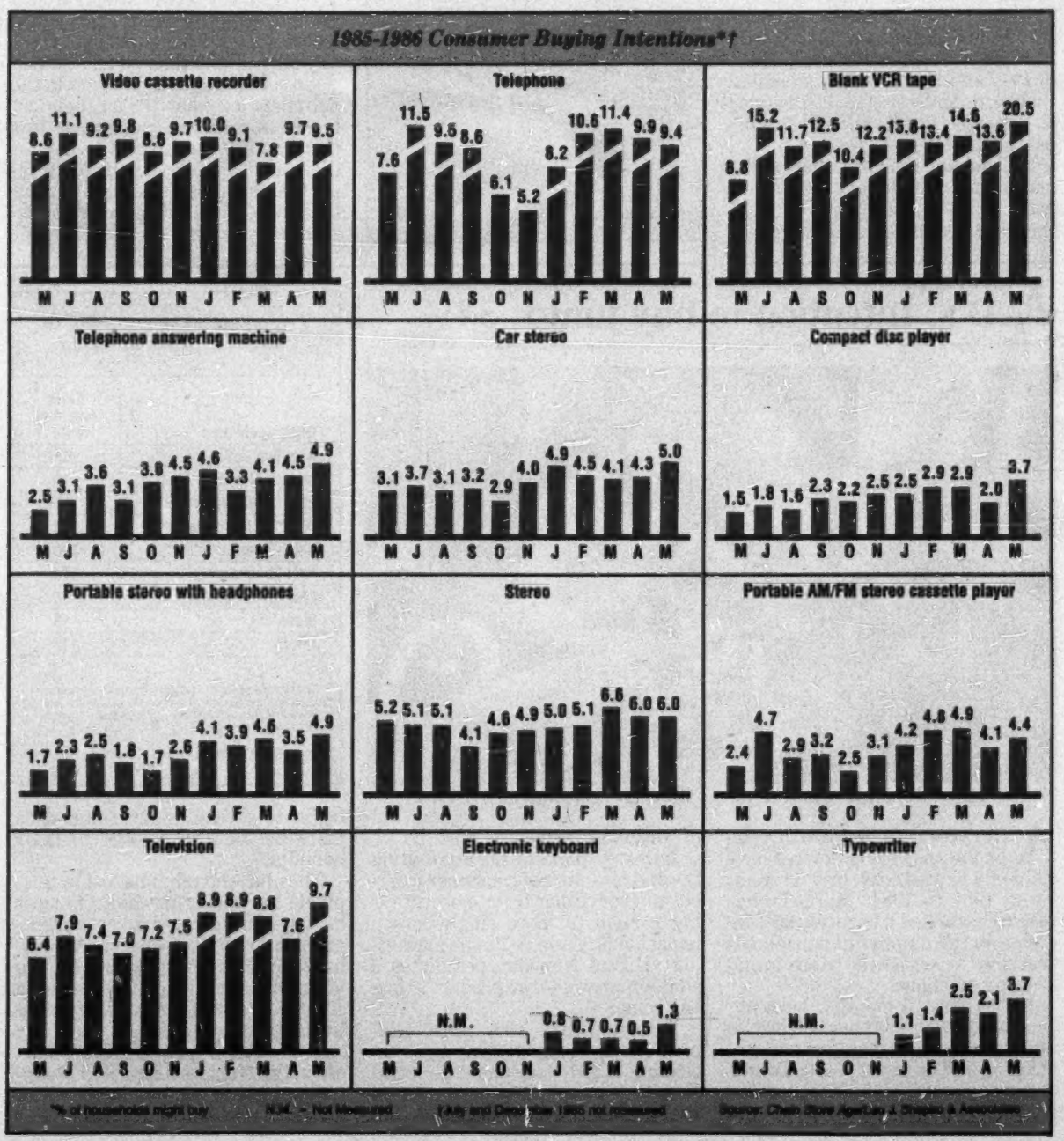
Consumers are still planning to buy electronics products—in some cases in record numbers—despite price increases from Japanese vendors in response to the ever increasing strength of the Japanese yen in international currency markets.

What is as yet unclear is whether Korean and Taiwanese manufacturers will be able to turn their new found currency advantage into additional market share.

According to the latest MarkeTrends poll, six products—blank video tape, telephone answering machines, car stereos, portable headphone stereos and televisions—are recording the highest consumer intent to buy in the history of the survey.

Riding the downside in the most recent poll are telephones, where the consumer's roller coaster levels of interest in buying indicate that many households are still either unsure or unknowledgeable about the need to buy a telephone.

Reflecting another trend in the MarkeTrends survey, consumer intent to buy a video cassette recorder in the next year remains at levels only slightly above those recorded in 1985. □

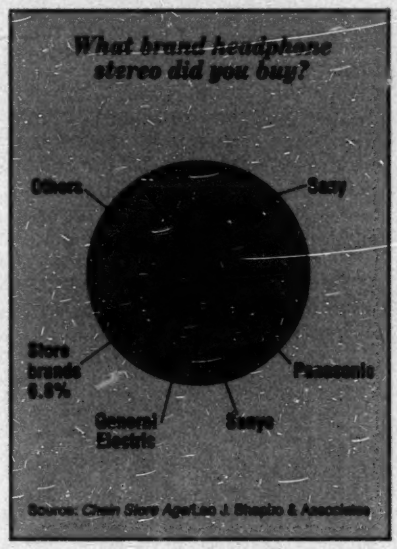

1985-1986 Consumer Buying Intentions*†
Video cassette recorder
8.6 11.1 9.2 9.8 8.6 9.7 10.0 9.1 7.8 9.7 9.5
Telephone
7.6 11.5 9.5 8.6 6.1 5.2 8.2 10.6 11.4 9.9 9.4
Blank VCR tape
8.8 15.2 11.7 12.5 10.4 12.2 13.8 13.4 14.8 13.6 20.5
Telephone answering machine
2.5 3.1 3.6 3.1 3.8 4.5 4.6 3.3 4.1 4.5 4.9
Car stereo
3.1 3.7 3.1 3.2 2.9 4.0 4.9 4.5 4.1 4.3 5.0
Compact disc player
1.5 1.8 1.6 2.3 2.2 2.5 2.5 2.9 2.9 2.0 3.7
Portable stereo with headphones
1.7 2.3 2.5 1.8 1.7 2.6 4.1 3.9 4.6 3.5 4.9
Stereo
5.2 5.1 5.1 4.1 4.8 4.9 5.0 5.1 6.8 6.0 6.0
Portable AM/FM stereo cassette player
2.4 4.7 2.9 3.2 2.5 3.1 4.2 4.8 4.9 4.1 4.4
Television
6.4 7.9 7.4 7.0 7.2 7.5 8.9 8.9 8.8 7.6 9.7
Electronic keyboard
N.M. 0.8 0.7 0.7 0.5 1.3
Typewriter
N.M. 1.1 1.4 2.5 2.1 3.7
M J A S O N J F M A M
*% of households might buy N.M. = Not Measured †July and December 1985 not measured Source: Chain Store Age/Lacy J. Shapiro & Associates

Headphone stereos now a commodity?

With personal headphone stereos becoming more and more a commodity item, their retail distribution is moving into what may seem as some unlikely outlets. In the latest MarkeTrends poll, 10.1% of households that bought a headphone stereo within the last year report buying at drug stores, hardware and home improvement outlets, flea markets and by mail.

In fact, distribution through non-traditional outlets is now larger than even K mart's market share (9.1%), and is only slightly smaller than sales for Sears (11.4%), catalog showrooms (12.5%) and full-line department stores (13.6%).

Still holding the lion's share of the market, though, are a-v specialists, with 24.5% saying they bought their last headphone stereo at one of the specialists.



As the retail market fragments, the number of brands consumers are willing to buy is also increasing. Though Sony still holds a commanding lead with 33.8% of those who bought in the last year reporting they purchased a Walkman, Panasonic (14.9%), Sanyo (10.8%), General Electric (9.5%) and various private label store brands (6.8%) are all carving out healthy shares.

However, nearly 1 in 4 consumers (24.2%) in the most recent MarkeTrends survey report buying from a growing list of manufacturers which include Soundesign, Sharp, Hitachi, Magnavox, Toshiba and Aiwa.

On the average, consumers in the poll spent a median $69 for their last headphone stereo, somewhat less than the $79 they expect to pay for their next one. Seven out of 10 report buying cassette and radio combinations, while 20% purchased cassette-only units. □

TAD's: Intention to buy jumps 54%

***The East South Central region** shows the most sales potential for TAD's.*

After years of slow growth, telephone answering devices have suddenly piqued consumer interest. From 1981 to 1984, MarkeTrends research tracked a leisurely 25% increase in the number of households that said they expected to buy an answering machine.

In the last 16 months, however, the number who say they will buy an answering device has jumped another 54%. The latest MarkeTrends survey records the highest level of consumer interest in the five years of consumer polling.

Industry pundits are attributing the sudden spurt of consumer interest to everything from more working women to more single-person households. Code-A-Phone marketing vp Paul Newman postulates a simpler answer—the product's time has come.

Newman says that with telephone answering devices now exceeding a 10% household penetration, they have hit a crucial point in the marketing cycle where they will begin to create wider demand as more people are exposed to their benefits.

Thus far, though, interest in telephone answering machines is most heavily concentrated in certain geographic areas (see chart). According to the MarkeTrends poll, buying intentions are highest in the South Atlantic, South Central, Mid Atlantic and Pacific states.

Consumer buying plans are lowest in the North Central and Mountain states, as well as in New England. □

Telephone answerers hot in Sunbelt, chilly in North

Geographic area	Sales potential score*
New England	41
Middle Atlantic	116
East North Central	77
West North Central	50
South Atlantic	171
East South Central	175
West South Central	134
Mountain	40
Pacific	115

*Chart measures the number of households in each area and compares it to the number of potential buyers in each area. A higher number indicates a greater potential for sales.

Source: Chain Store Age/Leo J. Shapiro & Associates

Shoppers learn tricks of the trade

For some time now retailers have thought that selling stereo systems was nothing more than playing a game dominated by a simple arithmatic—watts per channel divided by price. It seems the customer has also learned the rules of the game.

In the most recent MarkeTrends poll, 6 out of 10 households that bought a stereo system within the last year report that price and discount were the prime determinants in their choice of a specific store to shop. For comparison, only 40% of those who bought a telephone answering device cited price as their main criterion.

The next most important factor customers use to pick a store for a stereo is convenient location, cited by 17.1% of those interviewed and suggesting that consumers will buy a stereo at the outlet nearest home and which has the lowest price/performance ratio.

*Why did you buy a stereo at a specific store?**	
Price/discount	62.9%
Location/convenient	17.1
Quality	8.6
Selection	5.7
Credit	5.7
Reputation	2.6

*Totals more than 100% due to multiple responses
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Private label store brands are the main beneficiary of the customer's current mind set. Results of the current MarkeTrends survey mirror those of the January 1986 poll where private label brands took the largest share of an otherwise fragmented marketplace.

According to MarkeTrends research, store brands account for 18.7% of unit sales, with Sears alone selling about 1 in 10 of all home stereos in the last year. Following were Radio Shack's Realistic brand with 6.7% and J. C. Penney with less than a 2% share.

In the MarkeTrends study, no nationally advertised brand garnered more than a 10% share. The top 10 national brands add up to less than half of all stereos sold. □

Where's the Nordstrom's?

Is the glass half-empty or half-full? *Chain Store Age* MarkeTrends consumer polling shows that price is by far the single most important reason why customers choose a particular store when buying home electronics.

For example, when asked to use just one word to describe why they bought at a specific outlet, 62.9% of families which bought a stereo last year report that either price or discount were the factors which determined their choice of a store.

The results are near uniformly true, despite which product category is tracked. About half of portable headphone stereo customers say that discount is what led them to buy, and 40.6% of telephone answering device customers say the same.

It is the customer, then, who is driving the seemingly endless round of price promotion which now plagues the industry—right? Well, the answer to that depends upon whether the glass is half-empty or half-full.

Here is the other way to look at these same statistics: 37.1% of families which bought a stereo last year shopped at a particular store for a reason *other than price;* half of portable headphone stereo customers bought for a reason *other than price;* and 59.4% of telephone answering machine customers bought for a reason *other than price.*

The other reasons customers cite run the gamut from quality to selection, credit availability, location, guarantee, reputation and that old bug-a-boo, service.

Yet a quick perusal of advertising for home electronics in just about any major market leaves one with the distinct impression that price promotion, especially the now endlessly repeated "no price lower anywhere or your money back" variety, is the only strategy to win sales.

Certainly, there is a price-oriented shopper. In fact, the very numbers cited above show that they constitute somewhat more than half the market for home electronics. While price-oriented shoppers are indeed the largest group, they also represent the least profitable market segment.

If electronics retailers are to attract the other half of the market—the really profitable half—then they will need to develop strategies and advertising plans which are more than just price promotion based.

In apparel, another industry threatened from an onslaught of off-pricers and deep discounting, Seattle-based Nordstrom's has discovered that by taking the high road and providing true service to its customers, it can both retain margins and increase volume. Nordstrom's successful California rollout is proof that its strategy can work.

What home electronics retailing needs is its own version of Nordstrom's—a company that can show the rest of the industry how to both sell and make a reasonable profit. In fact, there are already some examples, albeit in some unlikely places.

For one, check out the latest mailing from American Express Merchandising Services, which is increasingly looking like a more traditional retailer—but at full margin.

American Express now offers good, better, best assortments in electronics with a breadth which rivals some department stores. The trick—convenience and no finance charges with, in some cases, over two years to pay.

Admittedly, taking the high road may not rack up huge market share gains. But then, Mercedes-Benz does not have the lion's share of the automobile market. Yet I am sure Mercedes would view the glass as half-full.

—Rick Gallagher

Consumers keen on housewares

Housewares products have rallied strongly from an overall drop in interest level last month. The *Chain Store Age* MarkeTrends survey this month finds consumers' intention to buy setting 12-month records in most of the categories.

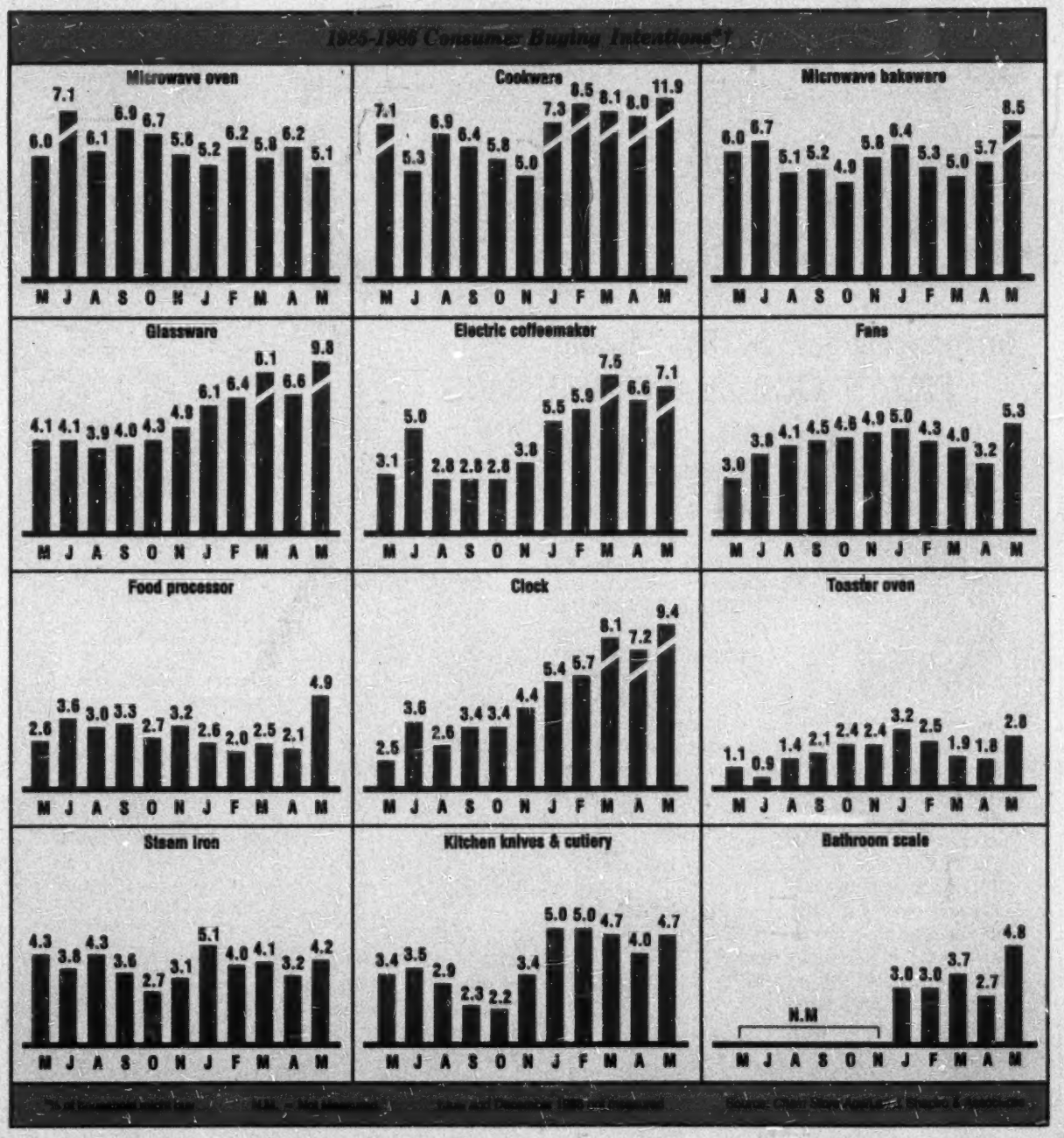
Only microwave ovens showed a decline, and it was not a serious one—just an 18% drop from last month's results. The remaining categories battled among themselves as to which would show the most dramatic improvement.

Gains of 30%, 50% and 66% were not uncommon. If interest holds, this should lead to more traffic in the housewares sections.

While intention to buy microwaves flagged a bit, previous improvements in that category are sparking interest in microwave bakeware. Boosted by heavy vendor advertising, microwave bakeware broke free of its nearly lock-step adherence to microwave oven movements.

But the real winner was the food processor. Oskar's earth-shaking introduction apparently continues to register after-shocks. Buying intention surged 133% to tower over the peaks and valleys of late 1985 and early '86. □

1985-1986 Consumer Buying Intentions)*



Food processors see market shift

Dept. stores gain larger percentage of the food processor market.

What brand food processor did you buy?

Oster	23.4%
Sunbeam	21.9
Cuisinart	10.9
Store Brand	10.9
Hamilton Beach	9.4
Moulinex/"La Machine"	4.7
General Electric	4.7
Kitchen Aid	3.1
Other	7.8

Source: *Chain Store Age*/Leo J. Shapiro & Associates

The food processor market may be grinding its way through market share shifts, *CSA* MarkeTrends research indicates. More consumers seem aware that all types of stores are offering the product at promotional prices. Several months ago, MarkeTrends found that although consumers thought of discount stores as the place to find the item at the right price, they ended up buying at department stores.

The department store image still has not caught up with reality. But it may be getting closer.

In the May 1986 survey, households planning to buy a food processor in the next 12 months named discounters as their store of choice 25.6% of the time. That is a slight drop from the January survey, when nearly 38% of the might-buy respondents intended to shop the discount stores. Share lost by the discounters was picked up by the Big 3. The Sears, Penney, Ward group got 25.6% of the mentions from households planning to buy, compared with a scant 3.4% in January.

In fact, however, purchases actually made were mainly rung up in department stores. That was the case in January, and it was true again in May, with department stores named as the purchase site by 25.7% of those who had bought food processors in the past 12 months.

The latest survey shows that price perceptions of the product are accurate. Slightly more than 26% of the intending-to-buy group expect to pay between $51 and $99. Almost exactly that percentage actually made a purchase in that price range.

With 10.1% of those polled, buying intention is at record highs. Sunbeam's downsized media star, Oskar, may have whipped up interest, yet Sunbeam was not the brand most often chosen by either actual or potential buyers. For both respondent categories, the Sunbeam name ran second to Oster, a Sunbeam division that makes the Kitchen Center. An Oster spokesman describes the Kitchen Center as a food preparation appliance and not a food processor. In her words, "It's not a Cuisinart, I can tell you that." The MarkeTrends research suggests that consumers may be confused about product definition. □

New features press irons forward

How much do you expect/did you pay for a steam iron?

	Might Buy	Did Buy
$11-15	7.7	24.4
$21-25	7.7	12.2
$31-35	7.7	3.7

Source: *Chain Store Age*/Leo J. Shapiro Associates

Upgraded features on steam irons may have increased their value in consumers' eyes. According to *Chain Store Age* MarkeTrends research, households planning to buy a steam iron in the coming year expect to pay more than did last year's purchasers.

Of the households reporting a purchase in the last 12 months, only 31.8% paid more than $25 for an iron, with a surprising 43.9% spending under $20. In contrast, 61.5% of the households with buying intentions expect to pay between $26 and $50.

Despite higher price expectations, the market for steam irons is still on a warm temperature setting. Slightly more than 4% of the households surveyed said they might buy an iron in the coming year, continuing a year-long pattern of fairly steady consumer interest. Reporting past-year purchases were 10.1%.

Lighter weights, cordlessness and automatic shut-off may have enhanced the product's perceived value, but consumers will want the best bargain available. Price, cited by 57.5% of last year's buyers as the main determinant in choosing where to buy the product, was given even heavier weight by the intending-to-buy group.

It is possible that shoppers expecting to pay $26 and up have been out of the market for some time and are unaware of the product's current price tags. The research suggests that effective advertising of price promotions and rebate programs could pay off in delivering consumers to retailer's doors.

Discounters got the most store-preference votes from both those who bought and those who might. □

Clocks spring toward fashion

Price is the primary concern of shoppers who consider buying a clock.

Now that quartz technology is firmly entrenched, many consumers want a clock in every room. According to current *CSA*/MarkeTrends research, time was flying out of the stores during the past 12 months. More than one-fifth of the households surveyed reported past-year purchases of a clock.

The category should remain hot, with 9.4% of the sample saying they plan to buy a clock in the coming year. It is a trend that vendors attribute to the product's new fashion looks. "Lately, people are redecorating with accessories rather than changing major pieces of furniture," says Bill Reidl, division product manager of Bulova Clocks. Reidl feels that clocks are now viewed as part of a room's decor, much the way lamps are.

This is one decorative accessory for which consumers do not want to pay much. Asked how much they spent for a clock, nearly 60% of the past year's purchasers reported prices of $20 and under. Yet for 21.4% of this group—a significant portion—selection played the leading role.

Why shoppers might/did choose a store to buy clocks

	Might buy	Did buy
[illegible]	[illegible]	[illegible]
Selection	17.0	21.4
[illegible]	[illegible]	[illegible]
Satisfaction	6.4	2.1
[illegible]	[illegible]	[illegible]
Other	14.9	13.5

Source: Chain Store Age/Leo J. Shapiro & Associates

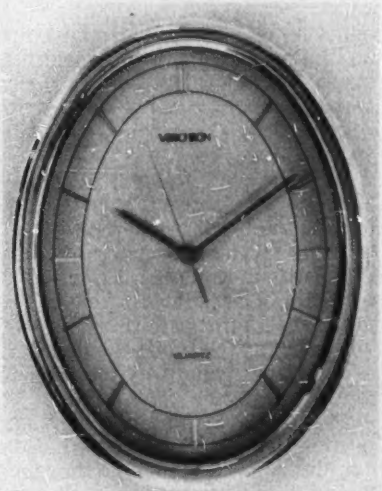
The research indicates that this is a battlefield ripe for a marketshare war. Of households in the sample that actually bought clocks, 34% made their purchases in discount stores. Only about 19% went to department stores, while a scant 11.3% shopped Sears, Penney or Ward.

But with some discounters nervous about carrying daring fashion looks, department stores may have a chance to up their share. Primary-colored plastic clocks have been trending toward the low-end. But some manufacturers have plans to correct that. □

Sunbeam Appliance Company introduces the Sunbeam Mixmaster High Efficiency stand mixer. It easily mixes, beats or whips and even kneads bread dough, all whisper quietly. The mixer is compact and

space saving. Its scaled-down size and slim, smart design almost conceals its ability to perform heavy duty mixing tasks. It is white and has a suggested retail price of $99.95. *(Sunbeam Appliance Company, P.O. Box 1570, 1333 Butterfield Road, Downers Grove, Ill. 60515.)*

Verichron makes a contemporary design statement with its new sleek and sophisticated quartz wall clock design. The Supreme, a graceful oval, features a champagne-gold background with a brasstone dial



ring and raised hour markers. The surrounding frame is finished in bright brass. The suggested retail is below $20. *(Harris and Mallow Products Inc., 651 New Hampshire Ave., Lakewood, N.J. 08701.)*

Kenney Window Fashions has developed a made-to-measure window fashion program geared to the needs of mass merchants. This new made-to-measure program builds on Kenney's aluminum mini and micro blind business, expanding the product assortment to encompass additional window product categories, including vertical blinds, wood mini blinds, pleated shades, vinyl micro blinds and decorative window shades. The company's objective is to provide a focused assortment of the most popular colors and styles, laid out in a consumer sensitive format. *(Kenney Manufacturing Company, 1000 Jefferson Blvd., Warwick, R.I. 02886.)*

Home textiles billow out

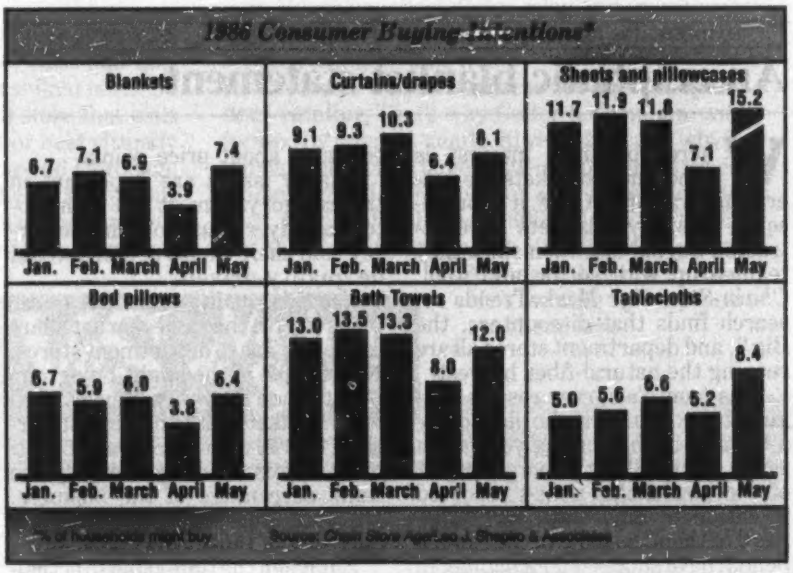
Sheets and pillowcases have emerged from the mangler to be shaken out with a smart snap. *Chain Store Age* MarkeTrends research this month found 15.2% of the households surveyed intending to buy these items. That is an enthusiastic rally from the previous month's slight decline.

Unfortunately, many of these intentions are likely to be forgotten soon. This month's survey information was gathered during the frenzy of January white sales. The figures reflect a price-promotion "adrenaline" effect that may in fact be unhealthy for the category. The temporary high is even more evident in the figure for households in the active market. Nearly 6% of those sampled reported shopping for sheets and pillowcases in the past month.

Curtains and drapes recouped much of the buying intention they lost last month. But interest has not revived to levels posted the first quarter of this year. Possibly, the category is feeling the effects of gains made by hard window treatments. However, MarkeTrends results still signal growth in this area, which could be further stimulated between the hard/soft window treatment combos now getting vendor promotion (see related story).

Although intention to buy curtains and drapes is flagging, there is a hopeful sign in the 8.1% of households who said they might buy. Generally, about twice the number of intend-to-buy households actually do make pruchases. If that is the case with curtains/drapes, the category will grow.

But that same rule of thumb spells trouble for bath towels. More than one-fourth of the households polled had bought towels in the past years, but only 12% expressed buying intentions. Even if twice the potential buyers are converted to purchasers, towels will get a rubdown. □



Tablecloths look high and low

The table is set for growth in one section of domestics. The most recent *Chain Store Age*/MarkeTrends survey found consumers keenly interested in tablecloths. Department stores and discounters got nearly equal shares of business from the 14% of the sample reporting last year purchases of tablecloths.

It could be coincidence, but that market share breakdown suggests that the lowest and highest ends are hotter than the middle. Two active areas, according to retailers, are fashion vinyls and formals. Consumers may be shopping department stores for their lace and linen, the discount stores for their vinyl.

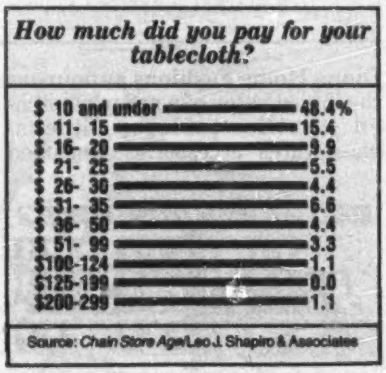
The high-end/low-end split is also evident in the prices that last year's purchasers paid for the product. More than one-half spent $15 or less, but a significant 25.3% shelled out $21 and up.

Formal and fashion vinyl tablecloths are seeing strong sales.

Slightly more than 8% of the households surveyed said they might buy a tablecloth in the coming year. The prices they expect to spend are concentrated on the lower end.

The research indicates that, once in the stores, consumers can be enticed by the pricier formals, ultimately spending more than they had planned.

There seems to be enough heat on both ends of the price spectrum to radiate warmth for all kinds of retailers. At Emporium-Capwell, assistant table linens buyer Don Phil-


How much did you pay for your tablecloth?
$ 10 and under 48.4%
$ 11- 15 15.4
$ 16- 20 9.9
$ 21- 25 5.5
$ 26- 30 4.4
$ 31- 35 6.6
$ 36- 50 4.4
$ 51- 99 3.3
$100-124 1.1
$125-199 0.0
$200-299 1.1
Source: Chain Store Age/Leo J. Shapiro & Associates

lips says that formals are the biggest growth area. The San Francisco-based chain carries a deep selection of formals year-round, offering vinyls only in the warm-weather seasons at most of its stores. However, Phillips adds that all kinds of tablecloths are moving well for Emporium Capwell.

"People are buying more formals. I think we're going back to what Grandma had," says Phoebe Nelson Oshirak, co-owner of The Linenbar in Lewisburg, Pa. Although the year's last quarter is always her busiest season, Oshirak carries few Christmas novelty cloths, because "there's too much of it around," she says.

This is one category of merchandise where retailers seem to stay off one another's turf. Shoppers know where to go for the kind of tablecloth they want, and no single type of retailer approaches 50% in marketshare. □

An emphatic blanket statement

Where consumer interest is concerned, blankets are generating warmth. Once a troublesome category, blankets have attracted buying intention since they teamed up with cotton and wool. *Chain Store Age* MarkeTrends research finds that discounters, the Big 3, and department stores all are reaping the natural-fiber harvest.

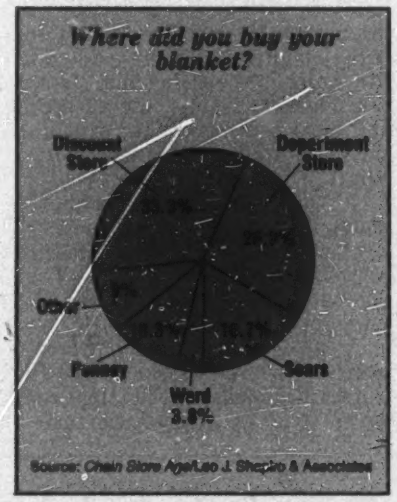
This month's survey results suggest that consumers who plan to buy a blanket in the coming year are a savvy group. Slightly more than 7% of the households polled reported intention to buy, and nearly one-third of them, or 2.3% of the sample polled, have shopped for a blanket in the past month. Even those not in the active market appeared knowledgeable about price points.

Quality issues are important in this category. Almost 17% of the potential-buyer households in the survey said their choice of store would be quality-driven.

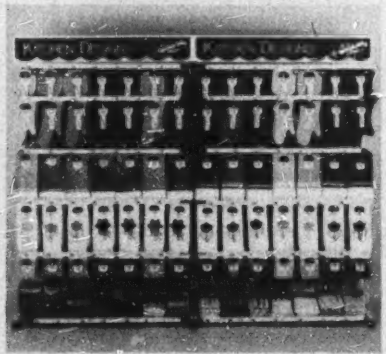
Yet this quality-conscious group plans to give the same market share to the Big 3 as to department stores. Nearly 36% of the might-buy group plan to shop Sears, Penney or Ward for a blanket, with the largest portion (19.2%) naming Sears. Department stores would get exactly the same percentage of the business. Discount stores were the choice of only 22% of those who might buy.

But when the time came to actually make the purchase, discounters scored higher, drawing 33.3% of the business from households that bought a blanket in the past year. The Big 3 were close behind, with nearly 31% of the market, while department stores trailed slightly with almost 27%.

Consumers apparently are discovering that natural-fiber blankets are not confined to department stores. Cotton thermals and sheet blankets have passed the test at several discount chains. Cotton is "doing fantastic" at Meijer Stores, says Tom Vanden Elst, domestics buyer for the Michigan-based discounter. He reduced print sku's to make way for a cotton thermal retailing at $14.97 on his lead size. □



Diana Home Fashions announces the introduction of a group of kitchen textiles/tabletop linens/housewares accessories. Included

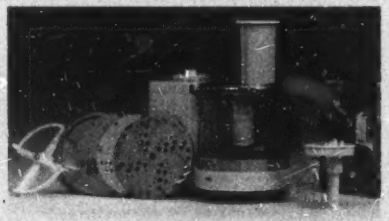


are quilted potholders, oven mitts, tablecloths, placemats, napkins and aprons, all treated with Scotch-Release fabric treatment. Additionally, the company has revamped its in-store display fixtures, expanding them by one tier to include a sixth tier of baskets. *(Diana Home Fashions Inc., 350 Fifth Ave., New York, N.Y. 10118.)*

Dundee introduces a nursery gift set in a two print assortment of Tramp Bears and ABC. Shown here is the ABC pattern. The three piece

set includes: A quilted blanket, 100% cotton receiving blanket, and a stretch end crib sheet. The set will retail at approximately $20. *(Dundee Mills Inc., 111 W. 40th St., New York, N.Y. 10018.)*

Braun Inc. introduces the Multipractic Plus UK-11, a universal, easy-to-use food processor that serves as a combined mixer, food chopper, slicer/shredder, grater, blender and cocktail shaker all in one. The Multipractic Plus performs all its functions with just four



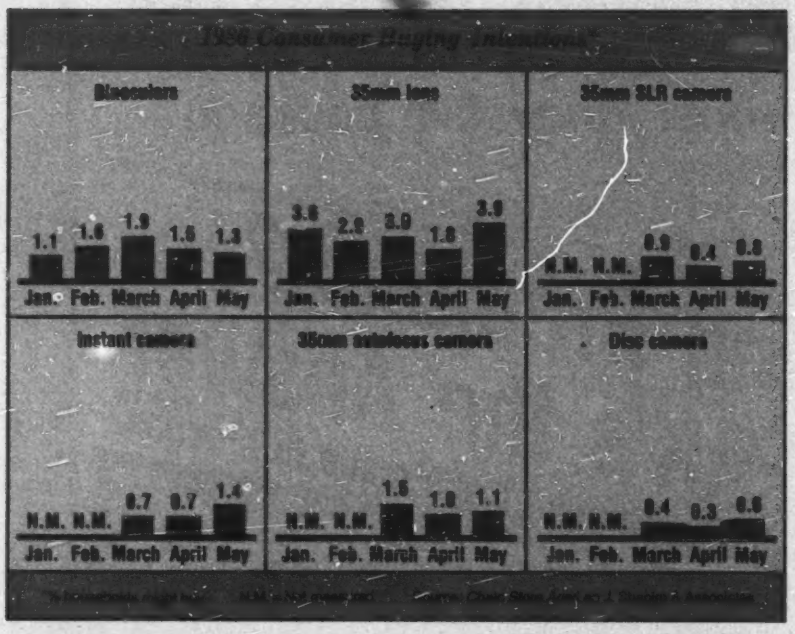
inserts: the blade, the slicer/shredder, the French fry cutter and the grating disc. It also includes a whisk attachment and a fully illustrated recipe book. Suggested retail price is $109.95. *(Braun Inc., 66 Broadway, Route 1, Lynfield, Mass. 01940.)*

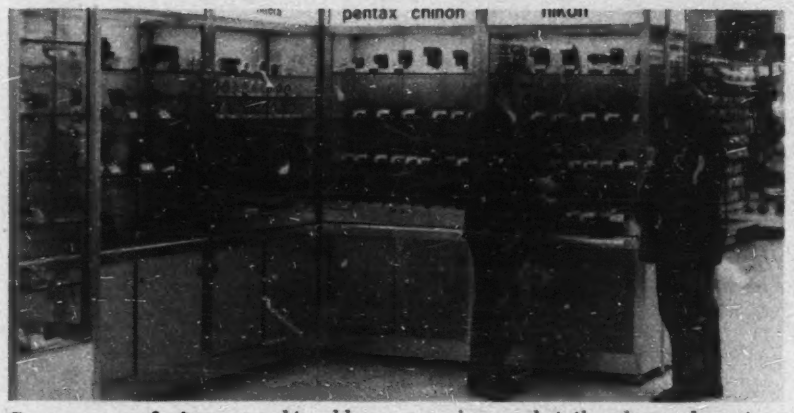
Camera customers confused

Does the average customer know the benefits of owning a single lens reflex camera, or for that matter a 35mm autofocus, or even a disc camera? According to *Chain Store Age* MarkeTrends research, customers are awash on a sea of misinformation.

With nearly all camera advertising promoting either the end product—photographs themselves—or ease of operation, the MarkeTrends survey suggests that manufacturers may be losing an opportunity to move the customer up the line. If a customer does not know what an SLR is, will he ever buy one?

Customers in the most recent MarkeTrends poll reveal themselves particularly unaware not only of the differences between camera types, but also of just what equipment they already own. The differences among SLR, 35mm autofocus, disc and even instant cameras appear lost on the average shopper.





***Camera manufacturers** need to address a growing market: the advanced amateur.*

From the survey results it is apparent that some 35mm autofocus owners think they already own SLRs. Though autofocus cameras outpaced SLRs in 1985, in the MarkeTrends survey 33.7% of those who bought a camera last year say they bought an SLR, compared to 25.9% reporting they bought an autofocus.

Even some disc and instant camera owners are confused about their purchase. For example, 5.6% of those who say they bought an SLR within the last year report buying Kodak, which has not even marketed a single lens reflex camera since 1970. Instead, they probably bought one of Kodak's disc cameras.

Similarly, 6% of those who say they bought a disc camera last year say they purchased from manufacturers such as Polaroid and Nikon, which do not market such cameras.

Though it is not uncommon in consumer polling for respondents to give occasional incorrect answers (in fact, it was the repeated mention of Sony in marketing surveys about car stereos, a product it did not then manufacture, that led Sony to market autosound products), the customer confusion about cameras is far above the norm.

With more and more of the SLR business moving into self-service and low-service channels of distribution (20.1% of households in the poll report buying a camera at a discount store last year), the customer's lack of information could be hampering opportunities to move customers up the line to more sophisticated and more profitable cameras.

Part of the blame rests with a near industrywide practice of dividing potential customers into only two groups for advertising and marketing purposes: amateurs who are looking for snapshot cameras, and hobbyists with more sophisticated requirements.

Recent history, including Canon's success with its AE-1 series and Minolta's Maxxum success, point to a third market: advanced amateurs who are still snapshot photographers, but who want the added quality and features of SLRs.

Though the der ographics for SLR owners are considerably upscale compared to disc camera owners (median household income of $31,000 for SLRs, $27,000 for disc users), the overlap between the two groups is large enough to project that a significant number of even disc owners could be moved up the line.

Unless vendors change their marketing plans, that job will be left to the sales associate of the floor who often is either not fully informed about the product or cannot be found. □

Earnings hurt by LIFO charges

Fourth quarter LIFO credits in 1984 brought an earnings bonanza to many retailers, but in 1985's final quarter the credits were substantially lower. In some cases the credits turned into charges, causing difficult year to year earnings comparisons despite modest sales gains.

Leading the list of losers for the fourth quarter were the Big 3 mass merchants. Though J. C. Penney reduced both advertising and promotions as a per cent of sales in the final quarter and posted a 3.8% earnings gain, its year-end figures dipped 8.6%.

At Sears, profits were more disappointing, with fourth quarter results for the U.S. Merchandising Group falling 25.2%, and 12 month totals dropping a hefty 31.8%. Earnings at Montgomery Ward were down 18.8% for the quarter and 20.8% for the year.

Nowhere was the effect of LIFO more evident than at K mart, which saw a $19.6 million pretax LIFO credit in 1984 change to a $58 million charge in 1985. Adjusting for the difference would result in an earnings gain from continuing retail operations of 9.5%, compared to the 5.5% loss reported without the adjustment, according to K mart officials.

Wal-Mart, meanwhile, reported its 21.7% quarterly earnings gain and 20.9% yearly hike without footnotes. Corporate gross margins slipped 1.3% for the year, but were largely the result of Sam's Wholesale Club's maintained gross margin of 9%-10%. Discount store markdowns rose only slightly for the year.

Dayton Hudson's Target discount store division turned an 11% annual sales increase into an operating profit gain of 18%. Mervyn's 18% revenue hike, however, translated into a more modest 10% operating profit increase. Despite a 6% sales decline, the department store division recorded a 14% gain in operating profits. Corporate profits were down 9.4%, reflecting both a LIFO charge and unfavorable comparisons due to the sale of Diamond's and John A. Brown in 1984.

Federated Department Stores recorded a 6% annual earnings gain, excluding unusual items including costs associated with the consolidation of Lazarus-Shillito Rikes and Richway-Gold Circle. Federated also reported that planned start-up costs for MainStreet store openings in 1985 further affected earnings.

Mercantile turned in one of the few stellar performances, recording a 20.9% gain in annual earnings off of a 10% sales increase. Allied posted a 13.2% increase.

Discounters rally in soft retail year

Chain	4th quarter (000 omitted) 1984	1985	% change	Full year (000 omitted) 1984	1985	% change
Sears[1]	361,000	270,000	– 25.2	655,000	447,000	– 31.8
Penney	216,000	224,000	+ 3.8	438,000	392,000	– 8.6
Ward	69,000	58,000	– 18.8	53,000	42,000	– 20.8
Subtotal	**646,000**	**552,000**	**– 14.6**	**1,146,000**	**886,000**	**– 22.7**
K mart[2]	201,200	248,300	+ 23.4	498,700	471,200	– 5.5
Ames	11,701	18,019	+ 54.0	28,516	40,367	+ 41.6
Jamesway	6,020	3,212	– 46.6	13,264	9,252	– 30.2
Rose's	10,747	10,677	– 0.7	23,898	20,322	– 15.0
Wal-Mart	109,368	133,057	+ 21.7	270,767	327,473	+ 20.9
Woolworth	92,000	106,000	+ 15.2	141,000	177,000	+ 25.5
Zayre	34,007	36,480	+ 7.3	78,033	94,647	+ 21.3
Subtotal	**465,043**	**555,745**	**+ 19.5**	**1,054,178**	**1,140,261**	**+ 8.2**
Allied	91,659	88,122	– 3.9	140,733	159,275	+ 13.2
Associated Dry Goods	81,263	80,262	– 1.2	120,657	119,696	– 0.8
Carter Hawley Hale[2]	32,573	18,923	– 41.9	27,130	48,025	+ 77.0
Dayton Hudson	148,671	153,287	+ 3.1	259,346	283,620	– 9.4
Federated[3]	173,500	178,000	+ 2.6	286,700	303,900	+ 6.0
May Co.	110,000	119,900	+ 9.0	214,100	235,400	+ 9.9
Mercantile	36,455	46,734	+ 28.2	84,769	102,448	+ 20.9
Subtotal	**674,121**	**685,228**	**+ 1.6**	**1,133,435**	**1,252,364**	**+ 10.5**
Child World	11,668	12,589	+ 7.9	8,402	9,368	+ 11.5
Oshman's	7,846	7,730	– 1.5	10,069	8,536	– 15.2
Toys "R" Us	79,906	88,108	+ 10.3	111,424	119,774	+ 7.5
Subtotal	**99,420**	**108,427**	**+ 9.1**	**129,895**	**137,678**	**+ 6.0**
The Gap[2]	7,130	19,940	+ 9.1	12,970	34,437	+165.5
The Limited	33,617	56,107	+ 66.9	92,495	145,317	+ 57.1
Edison Bros.[2]	7,300	11,600	+ 58.9	28,100	21,700	– 22.8
Subtotal	**48,047**	**87,647**	**+ 82.4**	**133,565**	**201,454**	**+ 50.8**
Syms	5,740	4,418	– 23.0	12,712	12,715	N/C
Clothes Time	563	1,406	+149.7	3,310	10,005	+202.3
Ross	7,140	7,386	+ 3.4	6,668	7,055	– 5.8
Subtotal	**13,443**	**13,210**	**– 1.7**	**22,690**	**29,775**	**+ 31.2**
Total	**1,946,074**	**2,002,257**	**+ 2.9**	**3,619,763**	**3,647,532**	**+ 0.8**

[1]U.S. merchandising only. [2]Continuing operations only. [3]Excluding unusual items.
Source: *Chain Store Age* research

CHH debt ratings under review

Moody's Investor's Service has placed the long term debt ratings of Carter Hawley Hale Stores under review for possible downgrades. Under review are CHH debentures, notes and Carter Hawley Overseas Finance's guaranteed notes, all currently rated Baa3.

In announcing the review, the rating agency cited a sharp decline in the company's fourth quarter earnings and fears that CHH would continue to underperform the rest of the department store industry.

Carter Hawley Hale's fourth quarter earnings were $18.9 million in 1985, compared to $32.6 million in 1984. For the year, however, earnings from continuing operations ran 77% ahead of 1984 results.

Moody's reviews, scheduled for completion before summer, might end up a largely academic exercise. CHH debt instruments are only lightly traded, and the company reports no new debt offerings are contemplated in 1986. Approximately $600 million in debt is under review.

Hard lines soften, apparel dresses up

The 17 retail companies tracked by *Chain Store Age* recorded an 8.8% sales increase in March, but the good news was tempered by a disturbing trend for hard goods lines. Most of the gains were attributable to Easter apparel sales, while big ticket durables began to slump.

Nowhere was the sluggishness in hard goods more evident than for the electronics specialists. Tandy's U.S. Radio Shack stores recorded comparable results only equal to last year's totals. City of Commerce, Calif.-based The Federated Group, which has already scaled down its expansion plans to only 15 new units this year, reported same-store figures down 1%.

Richmond, Va.-based Circuit City recorded comparable-store totals 8% ahead of the same month in 1985, but the comparison was favorably skewed by the closing of marginally performing Lafayette stores in New York and Zody's leased departments in California and Arizona.

Amid general retail weakness, Wal-Mart continued to turn economic woes into success. Though many of its operations are located in struggling Oil Patch and farming regions, Wal-Mart's 18% same-store gain for the month proves that in hard times more customers turn to the discounter.

Among the Big 3 mass merchants, both Sears and Montgomery Ward continue to struggle. Sears U.S. Merchandising Group sales were unchanged from last year's totals and for the two-month fiscal year are running 1.2% below 1985 levels. Ward's volume dipped 2.8% for the month.

Dayton Hudson reported net retail sales up 9.4% for the month, but results were uneven across its four business segments. Mervyn's recorded a 23% increase, and department store sales were up 10%. Lechmere and B. Dalton also had a 10% gain, but Target was up only 2%, reporting a mixed response to promotional events during March.

The same pattern held true for May Department Stores. Same-store results were up 13.3% for its Volume Shoe stores, while department stores recorded a 5.2% hike on a store-for-store basis, and its Venture discount division totaled a more modest 3.3% comparable store gain.

At Associated Dry Goods the department store divisions also outpaced the discount divisions, but by a smaller margin. For the month of March ADG department stores recorded an 8% gain, while discount store divisions posted a 6.1% increase.

Bucking the trend toward weak hard lines sales, discounter Bradlees reported a 10% hike in same-store results, which it attributed in part to home store success.

"Apparel and accessories sales were particularly strong," said parent company Stop & Shop chairman/ceo Avram J. Goldberg "and we continue to enjoy outstanding sales in our housewares, home furnishings and home entertainment departments."

Carter Hawley Hale chairman/ceo Philip M. Hawley, whose department stores recorded a 1.4% drop in comparable store results for the month, was more typical in his review of the March results. "Apparel sales were good during the month," Hawley said, "but overall results were hampered by weakness in the home store area."

Sales march forward 8.8%

Major chains	% change	March Sales* 1986	March Sales* 1985	Stores 1986	Stores 1985	2-mo. sales* 1986	2-mo. sales* 1985	% change
Sears[1,2]	N.C.	2,230,000	2,231,300	799	797	3,800,500	3,846,900	– 1.2
Penney[1]	+ 6.6	1,131,000	1,061,000	1,906	1,996	1,872,000	1,751,000	+ 6.9
Ward[1,3]	– 2.8	323,800	333,300	293	320	565,100	590,000	– 4.2
Dayton Hudson	+ 9.4	800,500	731,600	1,217	1,145	1,343,100	1,206,200	+11.4
Federated[4]	+ 6.6	744,300	698,100	485	466	1,255,900	1,189,600	+ 5.6
May Dept. Stores	+11.2	484,900	436,000	2,096	1,888	794,400	718,100	+10.6
Associated Dry Goods	+ 7.3	398,100	371,000	347	334	654,500	617,000	+ 6.1
Allied Stores	+ 9.8	383,800	349,700	667	604	648,900	601,600	+ 7.9
Carter Hawley Hale	+ 4.0	334,000	321,100	287	269	586,900	566,500	+ 3.6
Mercantile	+ 8.3	183,600	169,600	80	79	289,400	267,700	+ 8.1
K mart[5]	+ 7.6	2,034,100	1,890,000	2,062	2,054	3,300,200	3,147,300	+ 4.9
Wal-Mart	+44.0	854,000	593,000	862	765	1,470,000	1,028,000	+43.0
Zayre	+26.7	463,500	365,900	993	860	723,700	550,100	+31.6
Bradlees	+27.8	147,000	115,000	155	132	245,000	191,000	+28.3
Tandy	+11.1	256,795	231,146	N/A	N/A	505,817	442,106	+14.4
Circuit City	+32.2	49,700	37,600	68	96	100,100	72,100	+38.8
Federated Group	+25.2	33,800	27,000	60	44	61,900	47,000	+31.7
Totals & Averages	+ 8.8	10,852,895	9,972,346	—	—	18,217,417	16,832,206	+ 8.2

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Continuing operations only. [4]Excludes supermarket sales. [5]Store number for K mart stores only.

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